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Socio-economic Series Issue 64

GUIDE TO AFFORDABLE HOUSING PARTNERSHIPS

Introduction

Today, partnerships have become more and more common in both the private and public sectors as a way of stretching limited resources and achieving strategic objectives. To help you work with other individuals and organizations to address housing needs in your community, Canada Mortgage and Housing Corporation (CMHC) developed the Guide to Affordable Housing Partnerships. The guide is intended for individuals and organizations in the non-profit, public and private sectors who have an interest in providing affordable housing for families, single persons, seniors and people with disabilities.

Partnerships in housing, except under federal and provincial housing programs, are a relatively new way of delivering housing in Canada. Nevertheless, an impressive number of initiatives have been undertaken, or are currently under way. Examples of partnership approaches are given throughout the Guide.

What are Partnerships in Housing?

A partnership in housing is an arrangement between two or more parties who agree to work together to achieve shared or complementary housing objectives.

A "partnership" is a relationship with a least one of the following characteristics:

- joint investment or resources (time, work, funding, material, expertise and information);

- shared liability or risk-taking (and sharing of benefits); and,
- shared authority and responsibility.

Partnerships can also be distinguished from the normal purchase of goods or a contract for services by the fact that each partner makes a contribution that would not normally be expected under an ordinary business transaction.

Partnerships in housing can be applied at different stages in the life cycle of housing creation - asset creation, maintenance or renewal. They may also be formed to solve housing problems and issues through program and policy development. Partnerships vary in their duration from short term project-specific ones to longer term, ongoing arrangements. They also vary in their level of formality.

The Housing Development Life Cycle

Partnerships in housing can take place at different times in the housing life cycle: asset creation, management and renewal. The type of resources and the type of partners needed will depend upon



the stage of housing life cycle of the development. The housing life cycle begins with the creation of a fixed asset (housing units) through a combination of four basic development assets: land, capital, information and residents. After an asset has been created, maintenance and management become the most important aspect of housing services. Over time, a residential development may require upgrading and/or the site may be redeveloped or the use intensified (i.e. increase the number of units on the site).

Why are Partnerships Important Today

While housing has always been developed in Canada through partnerships among various actors in the housing field (federal, provincial and local governments; mortgage lenders; private construction companies; community groups and so on), today, the concept of a partnership in housing has taken on a new meaning.

In the past, affordable housing, especially social housing geared to low and moderate income households, was developed primarily through federal and provincial programs with well defined funding formula and administrative criteria. Today, only a limited number of programs are available across Canada to subsidize the construction of new housing or to renovate existing dwellings. Many organizations are looking at new ways of delivering affordable housing without ongoing federal and provincial assistance. Partnerships among organizations are an important aspect of this new approach to delivering affordable housing. These new housing partnerships often use innovative financing mechanisms, share resources, bring together many different organizations, leveraging existing equity in land and/or buildings and sometimes use innovative tenure arrangements.

CMHC and the Canadian Centre for Public Private Partnerships in Housing

CMHC's Canadian Centre for Public-Private Partnerships in Housing (CCPPPH) promotes and facilitates partnerships to increase the supply of affordable housing. The Centre gives advice on legal, financial and regulatory solutions, experiments with new financing and tenure agreements and disseminates information on successful practices. The Centre actively seeks out partnerships, especially at the grassroots level with such organisations as existing non profit agencies who were previously involved in the provision of social housing, faith groups, ethnic and cultural organisations, builders, developers and municipalities.

The Centre provides a number of tools to assist in developing affordable housing, including:

- “best practices” guides,
- partnership research,
- expert advice,
- new business leads,
- interest-free Proposal Development (PDF) loans, and
- facilitating access to mortgage insurance to assist groups access low-cost housing financing.

A “Road Map” to the Partnership Guide

The Guide to Affordable Housing Partnerships sets out a logical process for undertaking partnerships in housing. The partnership process, however, can be anything but logical. When reading the guide you may wish to start at different points depending upon your background and your experience with partnerships. You can focus on the parts of the guide that meet your particular information requirements. Chapters from the guide are introduced below.

To Partner or Not to Partner

In evaluating whether a partnership is appropriate, you should ask yourself, “What is in it for me and my organization? What are some of the benefits of partnerships? What are some of the issues we may run into?”

Advantages include:

- partnerships help groups achieve common or complementary goals
- they maximize limited resources
- leverage investment
- provide a mechanism for innovative financing
- minimize risks by sharing them among different organizations
- enhance credibility of participating groups
- an opportunity to learn from others

Potential Disadvantages of partnership:

- length of time and energy required
- complexity of arranging and managing partnerships
- overcoming distrust and doubt of others
- conflict over control where there is unequal power among participating organizations
- higher risk associated with complexity of partnership
- resources limited at the front end of the project

Types of Partnerships

Partnerships can be categorized according to:

1. *Type of organizations in the partnership* - Partnerships in housing are formed among organizations from two or all three of the sectors of our economy: the public, non-profit and private sectors.
2. *Duration of the partnerships* - Partnerships range from one of a kind arrangements for a specific housing project to longer partnerships in which a core or partners work together on a number of different projects.

3. *Level of formality* - Partnerships can be informal, based on a verbal agreement, or formal, with written, legally binding contracts.
4. *Involvement in Decision Making* - Partnerships can be categorized according to the involvement of stakeholders in decision-making and their contribution to joint activity. The following categories are discussed in the Guide: advisory or consultative partnerships; contributory partnerships; community development partnerships; and collaborative partnerships.
5. *Legal and organizational structures* - Common approaches include: joint venture; build-operate-transfer; outsourcing or contracting-out; and devolution or privatization.

The Six Steps of Housing Partnerships

This chapter of the Guide takes you through the six steps to forming partnerships. The process is not necessarily sequential and you will probably find yourself moving forward and then back to reconsider a former decision. Adjust the six step process to suit your particular needs. Your starting point will depend upon how much work has been undertaken to date on the partnership process.

Step One *Understanding Housing Needs in Your Community*
A clear understanding of the housing needs in your community will help you determine where you want to focus your energies. This step will also help to ensure that the project is ultimately marketable in your community.

Step Two *Determining Your Objectives*
An important component of partnership is developing housing objectives and concept. The section of the Guide on this step includes a discussion of alternative tenure arrangements (rent, own, and so on), potential target groups, rent or price ranges and housing form.

MAKING IT WORK: TIPS FOR SUCCESSFUL PARTNERSHIPS

- ✓ All partners gain from the partnership.
- ✓ All partners understand and accept what the others gain from the project.
- ✓ Expectations are realistic and clear.
- ✓ You have established open and honest communication with each other.
- ✓ Partners are positive and committed to the project and to innovation.
- ✓ The goals and objectives of the partnership are clear to all.
- ✓ You understand and accept your similarities and your differences.
- ✓ You have a well-qualified and credible team.
- ✓ There is continuity in the spokespersons and representatives of all the organizations.
- ✓ Responsibilities have been equitably allocated.
- ✓ Funding and other resources are stable.
- ✓ There is joint ownership of the project.
- ✓ You recognize what each partner is bringing to the partnership.
- ✓ Partners trust each other.
- ✓ You have a clear partnership agreement.
- ✓ Mechanisms for dispute resolution are in place.
- ✓ You have regular, productive meetings.
- ✓ The project is monitored and information is made available to all parties.
- ✓ Successes and achievements are well publicized internally and externally.

Step Three *Understanding Your Partnership Needs*
Before becoming involved in a partnership, it is useful to gain a clear understanding of the gaps in your organization, what the partnership options are and how to determine your financial requirements. This chapter of the Guide outlines some basic elements of housing finance.

Step Four *Looking for Suitable Partners*
A partnership's success depends on the people and organizations in the partnership. This section of the guide describes approaches to identifying and assessing potential partners.

Step Five *Structuring Your Partnership*
The basic components of a partnership agreement are discussed in this section of the Guide, including roles and responsibilities and financial management.

Step Six *Implementing Your Partnership*
Once a partnership agreement has been arranged, the real work begins - the implementation of the partnership. This section talks about transforming our objectives to measurable goals, developing a communications strategy and resolving disputes.

Additional Information

Additional information concerning partnerships is included in the Guide appendices, including:

- contact information on government housing ministries/corporations;
- information on CMHC Proposal Development Funding (PDF) for Non-Assisted Projects;
- information on the various aspects of real estate financial analysis;
- introduction to developing a business plan; and,
- additional sources of information on partnerships.

CMHC Research on Producing Affordable Housing in Canada Through PPPs

CMHC has completed a number of research reports and case studies, available through CMHC's Canadian Housing Information Centre, which examines a range of alternative measures which could be employed to support the creation of affordable housing in Canada through public-private partnerships. The following lists both published reports currently available and upcoming research to be published in the near future.

Published Research

- The Role of Public-Private Partnerships in Producing Affordable Housing: Assessment of the U.S. Experience and Lessons for Canada
- Municipal Regulatory Initiatives: Providing for Affordable Housing
- CMHC's Affordable Housing Web Page (www.cmhc-schl.gc.ca)
- Comprehensive Analysis of Self-Build Housing Experiences
- Public-Private Partnerships in Municipal Infrastructure
- Municipal Planning for Affordable Housing
- Housing Trust Funds: Their Nature, Applicability and Potential in Canada,
- Guide to Creating Housing Trust Funds in Canada
- Alternate Tenure Arrangements

Upcoming Research

- Affordable Housing Solutions: 15 Successful Projects
- Background Research on Philanthropic Support for Affordable Housing
- Guide to Developing a Municipal Affordable Housing Strategy
- State and Provincial Affordable Housing Measures

Canadian Centre for Public Private Partnerships in Housing

For further information about the Centres services, contact a representative in your region:

Atlantic Business Centre	(902) 426-8430
Quebec Business Centre	(514) 283-2203
Ontario Business Centre	(416) 218-3341
Prairies, Nunavut and NWT Business Centre	(403) 515-3011
B.C. and Yukon Business Centre	(604) 666-4660

CMHC Project Manager: David Scherlowski,
Research Division

Research Report: *Guide to Affordable Housing
Partnerships*

Research Consultants: Linda Lapointe, Lauren
Millier, Greg Spafford, Luba Serge

A full report on this project is available from the
Canadian Housing Information Centre at the address
below.

Housing Research at CMHC

Under Part IX of the National Housing Act, the
Government of Canada provides funds to CMHC to
conduct research into the social, economic and technical
aspects of housing and related fields, and to undertake the
publishing and distribution of the results of this research.

This fact sheet is one of a series intended to inform you
of the nature and scope of CMHC's research.

The Research Highlights fact sheet is one of a
wide variety of housing related publications
produced by CMHC.

For a complete list of Research Highlights, or for
more information on CMHC housing research
and information, please contact:

The Canadian Housing Information Centre
Canada Mortgage and Housing Corporation
700 Montreal Road
Ottawa ON K1A 0P7

Telephone: 1 800 668-2642

FAX: 1 800 245-9274

OUR WEB SITE ADDRESS: <http://www.cmhc-schl.gc.ca/Research>